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Note by the Secretary-General

The Secretary-General has the honour to transmit herewith to the Security Council the report of the Board of Auditors on the financial statements of the United Nations Compensation Commission for the biennium ended 31 December 2009.

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Report of the Board of Auditors to the Security Council on the financial statements of the United Nations Compensation Commission for the biennium ended 31 December 2009

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Chapter I

Report of the Board of Auditors to the Security Council on the financial statements of the United Nations Compensation Commission for the biennium ended 31 December 2009 (audit opinion)

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Compensation Commission, which comprise the statement of income and expenditure and changes in reserve and fund balances (statement I) for the biennium ended 31 December 2009; the statement of assets, liabilities and reserves and fund balances (statement II) as at 31 December 2009; and the statement of the cash flows (statement III) for the biennium then ended; and the notes to the financial statements.

Management's responsibility for the financial statements

The Secretary-General of the United Nations is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards and for such internal control as management deems is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Compensation Commission as at

31 December 2009 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Without qualifying our opinion referred to above, we draw attention to the following matter. In our previous report (S/2008/509), we noted that the Compensation Commission had undertaken action to recover duplicate payments. The balance outstanding in respect of duplicate payments and other claims amounted to $46.5 million as at 31 December 2007. In the present biennium, $30.2 million of the duplicate payments were written off further to a decision of the Governing Council. The remaining balance of $16.3 million either has been recovered or would be offset against future payments of compensation awards, as described in note 3 (a) (vii).

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the United Nations Compensation Commission that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of the United Nations Compensation Commission.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chair of the United Nations Board of Auditors

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor-General of China

30 June 2010

Chapter II

Report of the Board of Auditors (long-form report)

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Compensation Commission for the biennium ended 31 December 2009. The audit was carried out through a review of the financial transactions and operations of the Commission at its headquarters in Geneva.

Modified audit report

The Board issued a modified audit report with an emphasis of matter on the financial statements for the period under review, as reflected in chapter I above.

In its previous report (S/2008/509), the Board noted that the Compensation Commission had undertaken action to recover duplicate payments. The balance outstanding in respect of duplicate payments and other claims amounted to $46.5 million as at 31 December 2007. In the present biennium, $30.2 million of the duplicate payments were written off further to a decision of the Governing Council. The remaining balance of $16.3 million either has been recovered or would be offset against future payments of compensation awards, as described in note 3 (a) (vii).

Follow-up of previous recommendations

Of the four recommendations made for the biennium 2006-2007, all (100 per cent) were fully implemented.

Financial overview

For the period under review, total income was $5.104 billion, compared with $3.435 billion for the previous biennium, an increase of 48.6 per cent. Total expenditure amounted to $4.740 billion, compared with $3.512 billion for the previous biennium, an increase of 35 per cent. This resulted in a net excess of income over expenditure of $331.5 million after adjustments, compared with a net deficit of $3.2 million for the preceding biennium.

The increase in expenditure of $1.228 billion was attributable mainly to the payment of compensation claims. Income increased by $1.669 billion owing to the situation in the oil market and the higher number of sales by Iraq.

Progress towards the implementation of the International Public Sector Accounting Standards

The progress of the United Nations towards the implementation of the International Public Sector Accounting Standards (IPSAS) and the implementation timeline are applicable to the financial statements of the United Nations Compensation Commission. Therefore, the timeline of the Compensation Commission is dependent upon that of the United Nations Secretariat. The latest information obtained is that the Secretariat has postponed the implementation of IPSAS to 2014 because the new enterprise resource planning system is not yet in place.

Statement of income and expenditure

Of the total expenditure of $4.740 billion, payments of awards amounted to $4.735 billion, while administrative expenditure amounted to $5 million (or 0.1 per cent of total expenditure) compared with $14 million for the previous biennium.

As stated in note 3 (d), the shortfall in revenues was $211.6 million, owing to certain transactions made in cash and barter transactions not having been deposited into the Oil Proceeds Receipts Account.

Statement of assets, liabilities and reserves and fund balances

In its previous report (S/2008/509), the Board recommended that the Compensation Commission make a provision to cover the risk of non-recovery of duplicate payments. The Board considered that this recommendation was implemented because an amount of $30.2 million was written off.

End-of-service liabilities, including after-service health insurance

The financial statements for the period under review reflected end-of-service liabilities amounting to $3.77 million. Of this amount, $3.34 million represented after-service health insurance, $65,000 was related to unused vacation leave credits, $125,000 represented repatriation benefits and $241,000 represented termination indemnities.

Internal audit

The Office of Internal Oversight Services (OIOS) issued one report on the United Nations Compensation Commission. The major finding noted by OIOS concerned the lack of audit certificates from third-party auditors in relation to distribution reports. The Board took into account the observations in the OIOS report. It examined the efforts of the Compensation Commission to obtain the missing distribution reports and audit certificates. These findings are included in the present report.

Phasing out

With respect to the future activities of the Compensation Commission, various parties were involved in ongoing negotiations under the auspices of the Compensation Commission regarding the remaining $24.2 billion of unpaid awards outstanding as at 31 December 2009 (and $23.5 billion as at 30 March 2010).

Disclosures by management

Management has made certain disclosures in section C of the present report as regards write-off of losses of cash, receivables and property, as well as ex gratia payments.

Recommendations

The Board has made several recommendations based on its audit. The recommendations are that the United Nations Compensation Commission:

(a) **Disclose a note to the financial statements giving the reasons for the reclassification and restatement of any comparatives (para. 27);**

(b) **Obtain up-to-date information on the estimated shortfall in the oil income account (para. 36);**

(c) **Intensify its efforts to obtain all outstanding distribution reports relating to the payment of claims (para. 44).**

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the United Nations Compensation Commission (UNCC) and has reviewed its operations for the biennium from 1 January 2008 to 31 December 2009 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNCC as at 31 December 2009 and the results of its operations and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNCC operations under financial regulation 7.5. This requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNCC operations. The General Assembly had also requested the Board to follow up on previous recommendations and to report to it accordingly. Those matters are addressed in the relevant sections of the present report.

4. The Board continues to report the results of audits to the administration of UNCC in the form of management letters containing detailed observations and recommendations. This practice allows for ongoing dialogue with the administration. In this regard, one management letter was issued covering the period under review.

5. The Board coordinates with the Office of Internal Oversight Services (OIOS) in the planning of its audits to avoid duplication of efforts and to determine the extent of reliance that could be placed on the latter's work.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Security Council, including specific requests from the General Assembly and the Advisory Committee on Administrative and Budgetary Questions. In particular, in its report on the financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2007 (A/63/474), the Advisory Committee has requested the Board to:

(a) Strengthen its validation process with a view to improving its ability to evaluate results and efforts to implement the Board's recommendations;

(b) Continue to closely monitor the application of the International Public Sector Accounting Standards (IPSAS) as well as the preparatory process for the enterprise resource planning system;

(c) Continue to follow up on the monitoring of the audit process and on the regular reviews of the nationally executed projects made by United Nations entities.

7. The observations and conclusions of the Board were discussed with the administration, whose views have been appropriately reflected in the present report.

8. The recommendations contained herein do not address steps which UNCC may wish to consider in respect of officials for instances of non-compliance with its financial regulations and rules, administrative instructions and other related directives.

B. Background

9. The Security Council, in its resolution 687 (1991), established the Compensation Commission to determine and resolve claims and administer the Compensation Fund, whereby such claims would be satisfied from monies provided by Iraqi oil sales. During the claims processing stage, which was completed in June 2005, the Commission comprised three components, the Governing Council, the panels of Commissioners and the secretariat. The Governing Council (representatives of Member States in Geneva) is responsible for setting the policy regarding the Compensation Fund, the procedures applicable to resolution of claims and deciding upon awards to be made. The panels of Commissioners, which consisted of "experts on mission", applied the procedures and recommended awards to the Council. The secretariat assisted the panels when they were doing their work and continued to service the Council.

10. The Governing Council is composed of the same Member States as the Security Council and reports on its activities directly to that body after each session. In 1992, it adopted rules for claims procedures, in which it allowed itself to "review the amounts recommended [by the panels of Commissioners] and, where it determines circumstances require, increase or reduce them" (article 40 (1) of the Provisional Rules for Claims Procedure (S/AC.26/1992/10, annex)).

11. The "experts on mission" were chosen for their professional qualifications, experience and integrity as well as geographical representation. As set out in article 18 of the Provisional Rules for Claims Procedure, the Secretary-General requested Member States of the United Nations to provide lists of their most respected and internationally renowned candidates. He then nominated candidates for approval by the Governing Council on the basis of recommendations from the Commission's Executive Secretary. Members of the Governing Council were permitted to consult their own national experts and to review and ask questions about the reports submitted by the panels of Commissioners.

12. As at 31 March 2010, as reflected in table II.1, UNCC had resolved 2,686,131 claims submitted since its inception. It had awarded compensation of $52.4 billion. Nearly 100 Governments had filed claims on behalf of their nationals, corporations and themselves. These figures have not changed from those as at 1 May 2006 because of the deadlines established for the filing of the various categories of claims (1 January 1995 for the filing of category "A", "B", "C", "D" claims and 1 January 1996 for the filing of category "E" and "F" claims, with the exception of

environmental claims in category "F", which had to be filed before 1 February 1997). As a result, UNCC received no further claims and had ceased carrying out claims appraisals.

13. The Commission awards compensation regardless of the level of resources available. If a claim is approved, it is payable; however, the actual payment or issuance of funds can be delayed. The financial statements disclose only the awards paid or obligated from funds already available in the Compensation Fund.

Table II.1
Claims awarded as at 31 March 2010

(United States dollars)

Category	*Number of claims resolved*	*Number of resolved claims awarded compensation*[a]	*Compensation sought by claims resolved*	*Compensation awarded*[b]	*Percentage of awarded amount against claimed amount*	*Net compensation paid*[b]	*Outstanding award amounts*
A	923 158	852 499	3 455 092 500	3 149 692 000	91.16	3 117 090 405	—
B	5 734	3 935	20 100 000	13 435 000	66.84	13 377 388	—
C[c,d]	1 738 237	672 452	11 503 877 999	5 185 716 912	45.08	5 179 135 818	—
D	11 915	10 343	16 539 501 201	3 348 902 861	20.25	3 348 018 426	—
E1	105	67	44 740 422 417	21 522 047 546	48.1	1 895 814 643	19 623 896 563
E2	2 445	954	13 661 076 541	916 054 517	6.71	913 638 683	1 841 509
E3	398	159	8 538 543 367	402 562 327	4.71	402 563 804	—
E4	3 623	2 868	11 796 336 671	3 456 889 662	29.3	3 458 501 602	—
E/F	123	57	6 148 493 927	311 282 668	5.06	311 282 668	—
F1	100	70	18 902 591 737	291 171 423	1.54	291 171 423	—
F2	63	46	18 417 163 597	264 422 123	1.44	264 099 732	—
F3	62	60	113 905 394 877	8 259 433 226	7.25	4 897 363 973	3 362 069 253
F4	168	109	84 904 244 069	5 261 746 450	6.2	4 706 737 454	553 375 281
Total	**2 686 131**	**1 543 619**	**352 532 838 903**	**52 383 356 715**	**14.86**	**28 798 796 019**	**23 541 182 606**[e]

(Footnotes on following page)

(Footnotes to Table II.1)

Source: UNCC website.

A Individuals. Programme ended in 1996 but claims processed for Bedouins, Palestinian late claims.

B Individuals, serious personal injury or whose spouse, child or parent died as a result of invasion and occupation of Kuwait. Programme ended in 1994.

C Individual claims for damages up to $100,000 each. Regular programme ended in 1999; in 2002-2003: Palestinian late claims, Bedouins programme.

D Individual claims for damages above $100,000 each. Compensation awards during the biennium.

E Corporations, other private legal entities and public sector enterprises. Compensation awards during the biennium.

E/F Mixed.

F Governments and international organizations. Compensation awards during the biennium.

[a] Figures include corrections to awards pursuant to article 41 of the Provisional rules for claims procedure.

[b] Figures represent amounts made available and paid to the claimant Governments and submitting entities but are net of all paid but undistributed funds returned to the Commission.

[c] Including one consolidated claim filed by the Central Bank of the Government of Egypt on behalf of 915,527 of its nationals with approximately 1,240,000 claims (the Egyptian Workers' Claims), with a total asserted value of $491,098,538. The claim was awarded $84,393,992 in respect of 223,817 claims.

[d] Including 31,868 individual claims from *bedouns* for a fixed amount of $2,500 each, submitted to the Commission by the Government of the State of Kuwait in accordance with the special programme established by the Governing Council at its fifty-second session in June 2004.

[e] This figure does not include a net amount of $48,742,332 no longer payable to the claimant Governments and other submitting entities mainly because the claimants were not located by the deadline of 30 September 2006 set by the Governing Council for the location of claimants and the submission of request for the payments. However, it includes $5,364,242 relating to duplicate and other claims to be recovered from future payments of compensation awards.

14. During the biennium 2008-2009, UNCC paid $4.735 billion to the Governments of the concerned claimants and to other paying agents, a slight but continuous increase over the previous biennium, as reflected in line 1 of table II.2.

Table II.2
Awards and payments per biennium end
(Millions of United States dollars)

	1996-1997	*1998-1999*	*2000-2001*	*2002-2003*	*2004-2005*	*2006-2007*	*2008-2009*
1. Compensation awards payments	713	5 414	9 532	3 656	2 069	3 497	4 735
2. Approved awards not yet paid or obligated	5 341	8 499	21 281	30 118	32 521	28 950	24 215

Source: UNCC.

15. As mentioned in note 3 to the financial statements, the awards approved but not yet paid or obligated amounted to $24.2 billion as at 31 December 2009, pending receipt of funds from oil proceeds further to Security Council resolution 1483 (2003). In his report to the Security Council on the creation of UNCC, the Secretary-General had anticipated that the value of claims approved by the Commission would at any given time far exceed the resources of the Commission (S/22559, para. 28).

16. Arising from a recommendation of the Board made in its report (A/57/5 (Vol. I), chap. II, para. 46), UNCC informed claimants (Governments and other paying agents) that payments depended on available funds and would be implemented only as long as Security Council resolution 687 (1991) was in force, and that Iraq, not the United Nations, was liable for any approved claim.

C. Findings and recommendations

1. Follow-up of previous recommendations

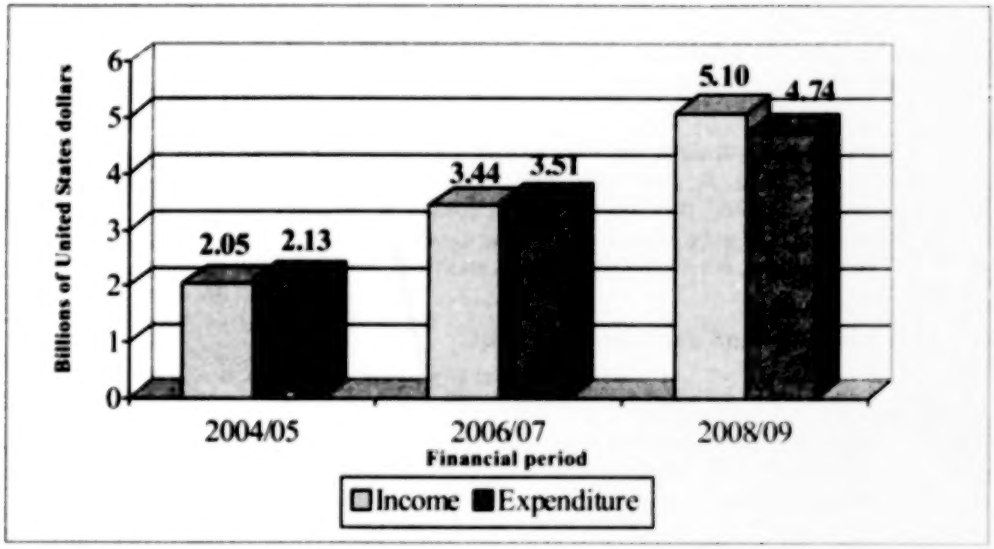
17. Of the four recommendations made for the biennium 2006-2007, all (100 per cent) were fully implemented. Details of the status of implementation of these recommendations are shown at the annex to the present report.

2. Financial overview

18. Total income for the period under review amounted to $5.104 billion while total expenditure amounted to $4.740 billion, resulting in an excess of income over expenditure of $364 million and a net excess of $331 million after adjustments. Of the total expenditure of $4.740 billion, payments of awards amounted to $4.735 billion, while administrative expenditure amounted to $5 million (0.1 per cent of total expenditure) compared with $14 million for the previous biennium.

19. Comparative income and expenditure for the financial periods 2004/05, 2006/07 and 2008/09 are shown in figure II.I.

Figure II.I
Comparative income and expenditure



Source: UNCC audited financial statements.

20. The increase in expenditure of $1.228 billion (from $3.512 billion for 2006-2007 to $4.740 billion for 2008-2009) was mainly attributable to the payment of compensation claims. Income increased by $1.669 billion (from $3.435 billion for 2006-2007 to $5.104 billion for 2008-2009) owing to the oil market situation and higher sales by Iraq.

Table II.3
Ratios of key financial indicators

	Biennium ended 31 December			
Ratio	*2005*	*2007*	*2009*	*Component of 2009 ratio*[a]
Cash/total assets[b]	0.98	0.86	0.92	1 419 720/1 535 167
Cash/liability[c]	15.36	3.51	1.66	1 419 720/857 478
Unliquidated obligations/total liabilities[d]	0.53	0.78	0.0005	440/857 478

[a] In millions of United States dollars.
[b] A high indicator depicts a healthy financial position.
[c] A low indicator is a reflection that insufficient cash is available to settle debts.
[d] A low indicator is a positive reflection that obligations are being liquidated.

21. The cash/total assets ratio in table II.3 shows that as at 31 December 2009, 92 per cent of UNCC assets were in the form of cash compared with 86 per cent at the end of 2007. This is in line with the nature of UNCC given that its primary purpose is to award and distribute compensation claims. While the cash/liability indicator declined sharply, from 3.51 in 2007 to 1.66 in 2009, it still remained relatively high and confirmed that UNCC remains capable of meeting its recorded

obligations as determined by the Security Council. The ratio of unliquidated obligations to total liabilities decreased strongly, from 0.78 in 2007 to 0.0005 in 2009. As indicated in paragraph 13 above, the financial statements disclosed only the awards obligated from funds already available in the Compensation Fund. While the financial statements for the previous financial period reflected an increase in committed but unpaid obligations, all obligations that were granted and that could be financed by the Compensation Fund were paid by the end of the period ended 31 December 2009. Unliquidated obligations involved only administrative expenses.

3. Presentation of financial statements

22. Income in the statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2007 taken into account in the previous report of the Board (S/2008/509) totalled $3.450 billion, while income for 2007 as given in the statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2009 totalled $3.435 billion, a difference of $15.205 million. This difference was due to the decision of the administration to eliminate the line item "transfer from operating reserves".

23. Footnote c/ to statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2009 indicates that comparative figures have been reclassified to conform to current presentation.

24. The Board noted, and the administration agreed with this analysis, that this new presentation is owing to the fact that since the reserves and fund balances pertained to income earned in prior years, those transfers to income might not be in accordance with paragraph 32 of the United Nations system accounting standards and distort the results of operations.

25. The administration thus reclassified the 2006-2007 comparatives as disclosed in the 2008-2009 financial statements by deleting the line "transfers from operating reserves to income". Discontinuing these transfers from operating reserves to income had a neutral effect on reserves and fund balances taken into account at the start of the 2008-2009 period.

26. While the Board noted the decision to discontinue the practice of transferring the cumulative surplus in income in the financial statements, it is of the view, however, that reclassification of figures, without any other explanation, did not sufficiently comply with the principle of understandability of financial statements as stated in paragraph 11 of the United Nations system accounting standards.

27. **The Board recommends that the administration disclose a note to the financial statements giving the reasons for reclassification and restatement of any comparatives.**

4. Progress towards the implementation of the International Public Sector Accounting Standards

28. In accordance with General Assembly resolution 61/233 and in response to the comments of the Advisory Committee on Administrative and Budgetary Questions in its report A/61/350, the Board again performed a gap analysis relating to the implementation of IPSAS as well as the new enterprise resource planning system.

The Advisory Committee had commented on the desirability of such systems taking fully into account the detailed requirements of IPSAS.

29. The progress of the United Nations towards the implementation of IPSAS and the timeline for IPSAS implementation, as detailed by the Secretary-General in his second progress report on the adoption of IPSAS by the United Nations (A/64/355), are applicable to all such financial statements, including those for the United Nations Compensation Commission. Therefore, the timeline for UNCC is dependent upon that of the United Nations Secretariat. The latest information obtained is that the Secretariat has postponed the implementation of IPSAS to 2014 due to the new enterprise resource planning system not being in place.

30. With a secretarial staff of six employees as at 1 April 2010, the Commission had no resources to participate actively in the working groups responsible for facilitating the introduction of IPSAS. However, the finance staff of UNCC were supposed to participate in the online United Nations computer-based training via the Intranet and in an external IPSAS training seminar in Geneva, scheduled to take place in June 2010.

5. Statement of income and expenditure

Revenue not deposited into the Development Fund for Iraq

31. Prior to the adoption of Security Council resolution 1483 (2003), the revenue derived from the oil sales authorized by the Council in its resolution 986 (1995) was deposited in the escrow account. The Council established the Development Fund for Iraq (resolution 1483 (2003)) to be held by the Federal Reserve Bank of New York, on behalf of the Central Bank of Iraq, and to be audited by independent public accountants approved by the Fund's International Advisory and Monitoring Board. The Council decided that 5 per cent of the oil proceeds shall be deposited into the Compensation Fund and that, unless it was decided otherwise by an internationally recognized representative of the Government of Iraq and the Governing Council of the United Nations Compensation Commission, in the exercise of its authority over methods of ensuring that payments are made into the Compensation Fund, this requirement shall be binding on the Government of Iraq.

32. In the light of the Coalition Provisional Authority in Iraq regulation No. 2 (CPA/REG/10 of 2 June 2003), the Federal Reserve Bank of New York established a Central Bank of Iraq/Development Fund for Iraq account. Pursuant to Security Council resolution 1483 (2003) and regulation No. 2, the Federal Reserve Bank was requested to open and maintain on its books an Oil Proceeds Receipts Account for the initial receipt of proceeds of all export sales of oil from Iraq and for the immediate transfer of 95 per cent of such proceeds to the Central Bank of Iraq/ Development Fund for Iraq account and 5 per cent of such proceeds to the appropriate United Nations Compensation Fund account. These transfers were effective 22 May 2003.

33. In accordance with Security Council resolution 1483 (2003), an independent firm of public accountants was appointed by the International Advisory and Monitoring Board to report on all export sales of petroleum, petroleum products, and natural gas from Iraq.

34. Note 3 (d) (i) of the financial statements for the period ended 31 December 2009 states that the audited statement of cash receipts and payments for the

Development Fund for Iraq for the year ended 31 December 2008 identified the shortfall in revenues of the Development Fund for Iraq due to certain transactions made in cash and barter transactions not having been deposited into the Oil Proceeds Receipts Account. Had all these proceeds been deposited into the Oil Proceeds Receipts Account, the share of the Compensation Fund from such transactions for the period from inception to 31 December 2008 would have been $211.6 million. At the time of the Board's audit, the Development Fund for Iraq audit report for the year ended 31 December 2009 was not yet available.

35. The Board noted that UNCC had no control over the initial collection by the Oil Proceeds Receipts Account of the revenue of the sale of Iraqi oil and that the estimated shortfall therefore could not be recorded in the accounts of the Commission.

36. **UNCC agreed with the Board's recommendation that it obtain up-to-date information on the estimated shortfall in the oil income account.**

Payments of compensation claims

37. Payments of compensation claims increased by 35.4 per cent compared to 2007 (from $3.497 billion to $4.735 billion). The compensation awards as at 31 December 2009 represented 99.9 per cent of total expenditures. In 2008 and 2009, UNCC paid $2.9 billion and $1.8 billion, respectively, to the Governments of the claimants concerned, a significant increase on the claims paid during the previous period, when the Commission had paid out $3.5 billion for the biennium 2006-2007.

38. The Commission explained that the increase was due to an increase in funds available for the payment of compensation, which had enabled it to raise the maximum limit for awards payments. In 2004, in accordance with decision 227 of the Governing Council (S/AC.26/Dec.227 (2004)), expenditures in favour of claimants whose claims had been accepted could not exceed a maximum limit of $200 million every three months. In 2006, that limit was abandoned. By its decision 253 (S/AC.26/Dec.253 (2005)), the Governing Council decided that the total balance of the Compensation Fund, excluding sums allotted to the administrative budget or to the Commission's operating reserve, would be available for the payment of compensation awards.

39. The Commission also informed the Board that payments made since 2006 to date had been in accordance with decision 256 (S/AC.26/Dec.256 (2005)) of the Governing Council, which provided for the priority of payment to claim awards of less than $500 million and to environmental claim awards. That decision further provided that the available funds should be applied to all claims until all available amounts in the Compensation Fund had been exhausted. Following the completion in January 2010 of the final phase under the payment mechanism set out in decision 256, at its sixty-eighth session, in November 2009, the UNCC Governing Council adopted decision 267 (S/AC.26/Dec.267 (2009)) concerning the payment mechanism and payment of remaining claims. Decision 267 provided that the nine remaining claims, all awarded to Kuwait, in the outstanding amount of approximately $24 billion, would be paid in $10 million installments each quarter, in the order in which they were approved, until all available amounts in the Compensation Fund have been exhausted.

Distribution reports

40. Decisions 18 (S/AC.26/Dec.18 (1994)) and 48 (S/AC.26/Dec.48 (1998)) set the rules for distribution reports. Thus, Governments were expected to distribute funds to the applicants within six months of receiving payment from UNCC. At the end of this period, Governments have a maximum of three months to provide information about the amounts distributed (decision 18).

41. As a result of the difficulties experienced by Governments in locating the claimants, in 1998, the Governing Council decided to extend the distribution period by three months. Therefore, at the end of 12 months after a Government had received the payments, any undistributed funds have to be returned to UNCC, together with a list of the unlocated claimants (decision 48).

42. According to the practice, UNCC requests the distribution report from the permanent missions, who themselves solicit a response from their Governments. They complete the distribution reports, following a template provided by UNCC, which indicates the amount of compensation paid, the identity of the recipient and the date of payment.

43. The outstanding distribution reports represented $1.81 million as at 31 December 2009 and $1.46 million as at 1 March 2010. All had been outstanding for over one year as shown, in table II.4.

Table II.4
Amounts for which distribution reports were outstanding as at 1 March 2010
(United States dollars)

	Duration of non-compliance		
	1 to 2 years	*More than 2 years*	*Total*
India	1 500.00	2 500.00	4 000.00
The former Yugoslav Republic of Macedonia		81 819.00	81 819.00
Pakistan		512 720.89	512 720.89
Tunisia		18 544.53	18 544.53
Yemen		790 949.43	790 949.43
UNHCR Bulgaria		7 500.00	7 500.00
UNHCR Canada		39 700.00	39 700.00
Total	**1 500.00**	**1 453 733.85**	**1 455 233.85**

Source: UNCC.

44. **The Board recommends that UNCC intensify its efforts to obtain all outstanding distribution reports relating to the payment of claims.**

Audit certificates

45. During its forty-ninth session, from 16 to 18 September 2003, UNCC decided that for any payment made after 18 September 2003 (except for category F, which is not subject to this decision), countries receiving funds from UNCC should include an audit certificate with their distribution reports, in compliance with national

accounting standards, within no more than three months after the end of the year following the year in which the payment was made. An example of an audit certificate was provided to Governments to help them comply more easily with this new requirement. Audit certificates are provided by auditors from the private sector.

46. In paragraph 33 of its previous report (S/2008/509), the Board recommended that the Commission continue to pursue the submission of the remaining audit certificates. UNCC had written to Governments and international organizations requiring them to provide the audit certificates, some of which had not yet been received.

47. Overall, since the first payments in 2003 and as at 16 April 2010, the audit certificates received represent 99.18 per cent of the total amount of payments made to claimants, as shown in table II.5.

Table II.5
Analysis by year of audit certificates outstanding as at 16 April 2010 (excluding category F)

(Thousands of United States dollars)

	2003 payments	*2004 payments*	*2005 payments*	*2006 payments*	*2007 payments*	*2008 payments*	*Total*
Total payments for which audit certificates should be submitted	197 172	786 877	1 144 703	631 425	445 018	446 912	3 652 107
Payments for which audit certificates have been received	196 426	775 110	1 131 498	627 328	444 944	446 912	3 622 218
Percentage of audit certificates received	99.62	98.50	98.85	99.35	99.98	100.00	99.18
Payments for which audit certificates have not been received	746	11 767	13 205	4 097	74	—	29 889
Percentage of audit certificates outstanding	0.38	1.50	1.15	0.65	0.02	—	0.82

Source: UNCC.

48. UNCC explained that it continually and routinely follows up on all outstanding distribution reports and audit certificates and reports to the Governing Council on this matter at each session. As at 16 April 2010, outstanding distribution reports represented 0.0049 per cent of total amounts paid, and the outstanding audit certificates represented 0.82 per cent of all audit certificates due to date.

49. The Board took note of the efforts made by the secretariat to pursue the submission of the remaining audit certificates and will continue to follow up on this issue.

6. Statement of assets, liabilities and reserves and fund balances

Outstanding receivables and duplicate payments

50. The outstanding receivables account increased significantly, from $63.8 million in 2007 to $115.4 million in 2009. Unlike the previous biennium, this increase was not due to the recording of duplicate payments, since they had been written off in October 2008, but was owing mainly to the payment of environmental awards by Saudi Arabia.

51. In its previous report, the Board recommended that the Commission make a provision to cover the risk of non-recovery of duplicate payments. The Board considered that this recommendation was implemented. Indeed, $30.2 million was regarded as a loss on the financial statement I and absorbed by the excess of the period.

52. Note 3, paragraph (c), to the financial statements details measures taken concerning duplicates. The overpayment amounted to $46.5 million as at 31 December 2007. Of that amount, $10.9 million was recovered through deduction made in April 2008 from Jordan and refunds received in 2008 from Italy and the United Kingdom of Great Britain and Northern Ireland. Further to the confirmation of the Governing Council at its sixty-fifth session, held on 8 and 9 April 2008, that no further collection efforts should be pursued, $30.2 million was written off. The authorization for such write-off was given by the Assistant Secretary-General, Controller, in October 2008. The remaining balance as of 31 December 2009 was $5.4 million, which was expected to be recovered through offset against future payment of compensations awards.

7. End-of-service liabilities (including after-service health insurance)

53. The financial statements for the period under review reflected end-of-service and post-retirement liabilities amounting to $3.769 million. Of that amount, $3.338 million represented after-service health insurance, $65,000 was related to unused vacation leave credits, $125,000 represented repatriation benefits, and $241,000 was related to termination indemnities.

54. Previously, the accrued liabilities recorded for after-service health insurance were based on actuarial valuation, whereas the liabilities for repatriation benefits, unused vacation days and termination indemnity were recorded based on current costs without discounting or other adjustments. With effect from the biennium ended 31 December 2009, the liabilities for after-service health insurance, repatriation benefits and unused vacation days were all determined on an actuarial basis.

55. The liabilities were assessed based on a discount rate of 5.5 per cent for the period prior to 31 December 2007 and 6 per cent thereafter. The estimate for commitments for accrued annual leave for employees, repatriation benefits and related expenses was calculated using information available from the IMIS database. These figures are given in greater detail in table II.6.

Table II.6
End of service liabilities as at 31 December
(United States dollars)

	2007			*2009*		
	UNCC	*Environmental programme*	***Total***	*UNCC*	*Environmental programme*	***Total***
After-service health insurance	4 171 000	268 000	**4 439 000**	3 232 000	106 000	**3 338 000**
Unused vacation days	230 268	5 256	**235 524**	62 000	3 000	**65 000**
Repatriation benefits	603 658	59 514	**663 172**	108 000	17 000	**125 000**
Termination indemnities	689 982	—	**689 982**	241 000	—	**241 000**
Total	**5 694 908**	**332 770**	**6 027 678**	**3 643 000**	**126 000**	**3 769 000**

Source: UNCC.

56. The difference between the figures for 2007 and 2009 is owing to a change in the discount rate and the decrease in the number of active staff participating that were part of the after-service health insurance and departures in 2007.

8. Internal audit

57. During the biennium 2008-2009, OIOS conducted one audit of the Compensation Commission in Geneva and issued one report dated 21 April 2009 (IAD09-02374). The overall objective of the audit was to assess the adequacy and effectiveness of internal controls in the processing of award payments, including compliance with the Financial Regulations and Rules of the United Nations and decisions of the Compensation Commission Governing Council regarding payments.

58. OIOS observed that UNCC "had adequate controls in place to ensure that awards and payment records were accurate, properly documented and in compliance with the Financial Regulations and Rules of the United Nations and UNCC Governing Council decisions". The major exception noted by OIOS concerned the missing audit certificates.

59. The Board took into account the observations of OIOS in its report. It examined the efforts of UNCC to obtain the missing distribution reports and audit certificates. These findings are addressed further in the present report.

9. Phasing out

60. Following the conclusion of the claims processing exercise in June 2005, the Compensation Commission saw the scope of its activities reduced to the payment of successful claims. Consequently, the UNCC panels of Commissioners and the claims processing section were dissolved.

61. The phasing out/downsizing of the secretariat took effect as planned in line with the decision taken by the Governing Council at its fifty-eighth session, in December 2005. The downsizing culminated in the departure of many members of

the secretariat staff in July and August 2007 and the closure of the various secretariat sections, such as claims processing, information technology and administration. The Registry had been scheduled to be disbanded at the end of 2008, but following the acceleration of the archiving and disposal programme, it was closed before the end of 2008. The number of posts available (staffing table authorization) in the main fund fell from 10 as at 1 January 2008 to 4 as at 31 December in both 2008 and 2009.

62. As at the date of our audit, the staff of the UNCC secretariat consisted of just four persons, plus two staff members responsible for the follow-up programme for environmental awards. The cost of the staff of the environmental programme (or "REP" fund) was paid for out of the "REP" budget for that programme, which is funded by participating Governments.

63. Since the downsizing, the secretariat had operated with a minimal core staff and continued with: the servicing of the Governing Council; the payment of outstanding awards; the management and administration of the Follow-up Programme for Environmental Awards; and the implementation of the mandate from the Governing Council to the secretariat to facilitate negotiations between Iraq and Kuwait on the unpaid compensation awards that will remain after payment of the environmental awards under its decision 258. Other functions include: following up on the distribution of and reporting on paid award funds in accordance with Governing Council decision 18 and other reporting obligations; and exploring feasible options for the future of the Follow-up Programme for Environmental Awards. Validation of compensation payments and payment of awards are made by the Finance Service of the United Nations Office at Geneva and the Finance Service at United Nations Headquarters, respectively.

64. As at the date of the audit, just nine claims, all in favour of Kuwait, had yet to be paid out of the main fund (Sub-fund of the United Nations Compensation Commission, or CWA). The outstanding payable awards in respect of these claims amounted to $23.5 billion as at 30 March 2010, and were still the subject of ongoing negotiations between the Governments of Iraq and Kuwait under the auspices of UNCC.

65. With regard to the Follow-up Programme for Environmental Awards, the Governing Council is currently considering possible options for the future of the Programme in accordance with paragraph 6 of its decision 258. The Council had to make a decision in due course as to whether the status quo should continue or changes should be made in the administration of the Programme, in consultation with the four participating claimant Governments and the Government of Iraq.

66. While the payment of compensation awards relating to environmental projects was completed in January 2010, in some cases the environmental projects were expected to reach their conclusion up to 15 years later. The Governing Council had directed the secretariat to convene a panel of experts to prepare an options paper that, without providing conclusions or recommendations on a specific option, provided details of the modalities of feasible options for the future of the Follow-up Programme for Environmental Awards.

67. The panel of experts continued to work on the options paper on the future of the Follow-up Programme for Environmental Awards, and a preliminary report was submitted to the Governing Council at its sixty-eighth session, in November 2009.

The Commission informed the Board that the Governing Council had considered the report of the panel of experts. Recognizing that in order to fulfil the mandate of the Programme, it would not be necessary for UNCC to monitor the environmental awards that would continue until the physical end of the projects and that it should be possible for the purpose and goals of the Programme to be fulfilled in the near term, the Council established a working group for the purpose of further study of the question of future arrangements. The working group met in July 2010.

D. Disclosures by management

1. Write-off of losses of cash, receivables and property

68. In accordance with financial rule 106.8 (a), the Commission informed the Board that a total of $30.8 million of receivables had been written off during the biennium ended 31 December 2009.

69. This amount concerned duplicate payments of $30.17 million and payments of $726,000 resulting from non-submission of distribution reports by four Governments (Benin, Liberia, Niger and Senegal). In accordance with decisions 18 and 48 of the Governing Council, the Governments of those countries were to submit reports to UNCC on funds distributed within 12 months or return the undistributed funds. For more than two years, those Governments did not send information to UNCC in spite of follow-up requests. During its meeting in April 2008, the Governing Council asked the Secretariat to intervene with the four Governments concerned one last time and, if unsuccessful, to request the Controller to write off that amount.

2. Ex gratia payments

70. As required by rule 105.12, the United Nations Compensation Commission reported no ex gratia payments during the biennium ended 31 December 2009.

3. Cases of fraud and presumptive fraud

71. In accordance with the additional terms of reference governing the audit of the United Nations (ST/SGB/2003/7, para. 6 (c) (i)), the United Nations Compensation Commission reported no cases of fraud or presumptive fraud to the Board for the biennium ended 31 December 2009.

E. Acknowledgement

72. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the UNCC Executive Head and members of his staff in Geneva.

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
Chairman of the United Nations Board of Auditors

(*Signed*) Didier **Migaud**
First President of the Court of Accounts of France
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor-General of China

30 June 2010

Annex

Status of implementation of the recommendations of the Board of Auditors for the biennium ended 31 December 2007

Summary of recommendation	*Corresponding paragraphs in S/2008/509*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1. UNCC should continue to pursue the submission of the remaining audit certificates	33	2004-2005	X	—	—	—
2. UNCC should make a provision to cover the risk of non-recovery of duplicate payments	40	2004-2005	X	—	—	—
3. UNCC should reconsider the disclosure of the statement of cash flows to include the UNCC share in the United Nations Headquarters cash pool	47	2006-2007	X	—	—	—
4. UNCC should maintain a complete and up-to-date list of non-expendable property by location and reconcile it with the physical inventory	57	2004-2005	X	—	—	—
Total	**4**		4	—	—	—
Percentage	**100**		100	—	—	—

Chapter III

Certification of the financial statements

The financial statements of the United Nations Compensation Commission established pursuant to Security Council resolution 692 (1991) for the biennium ended 31 December 2009 have been prepared in accordance with financial rule 106.10.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. The notes provide additional information and clarifications for the financial activities undertaken by the Commission during the period covered by these statements for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations Compensation Commission established pursuant to Security Council resolution 692 (1991), numbered I to III, are correct.

(*Signed*) Jun **Yamazaki**
Assistant Secretary-General, Controller

29 March 2010

Chapter IV

Financial statements for the biennium ended 31 December 2009

Statement I

United Nations Compensation Commission[a]

Income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2009

(Thousands of United States dollars)

	Compensation Fund	*UNCC support for Follow-up Programme for Environmental Awards*[b]	*Funds withheld from Environmental Awards*[c]	*Eliminations*[d]	*Total 2009*	*Total 2007*[e]
Income						
Allocations from other organizations[f]	5 042 421	—	—	—	5 042 421	3 378 648
Contributions from claimant Governments	—	2 207	—	—	2 207	1 430
Interest income	36 312	153	15 370		51 835	43 833
Other/miscellaneous income	7 079[g]	13	—	—	7 092	11 413
Total income	**5 085 812**	**2 373**	**15 370**	**—**	**5 103 555**	**3 435 324**
Expenditure						
Staff and other personnel costs	2 303[h]	1 167	—	—	3 470	11 956
Travel	10[h]	48	—	—	58	89
Contractual services	135[h]	—	—	—	135	466
Operating expenses	886[h]	152	—	—	1 038	2 189
Acquisitions	6[h]	—	—	—	6	12
Compensation awards	4 735 203	—	—	—	4 735 203	3 497 160
Total expenditure	**4 738 543**	**1 367**	**—**	**—**	**4 739 910**	**3 511 872**

	Compensation Fund	*UNCC support for Follow-up Programme for Environmental Awards*[b]	*Funds withheld from Environmental Awards*[c]	*Eliminations*[d]	*Total 2009*	*Total 2007*[e]
Excess (shortfall) of income over expenditure	**347 269**	**1 006**	**15 370**	**—**	**363 645**	**(76 548)**
Non-budgeted accrued income (expense) for after-service health insurance[i]	939	162	—	—	1 101	(1 582)
Prior-period adjustment	(33 263)[j]	—	—	—	(33 263)	74 892
Net excess (shortfall) of income over expenditure	**314 945**	**1 168**	**15 370**		**331 483**	**(3 238)**
Cancellation of prior-period obligations	77	15	—	—	92	892
Transfer to other funds	(27)	—	—	—	(27)	—
Other adjustments to reserves and fund balances	—	—	(15 370)	—	(15 370)	(7 562)
Reserves and fund balances beginning of period	361 077	434	—	—	361 511	371 419
Reserves and fund balances end of period	**676 072**	**1 617**	**—**	**—**	**677 689**	**361 511**

[a] See note 1.
[b] See note 4.
[c] See note 5.
[d] Upon combination of the columns, transactions between the columns are eliminated, in order for a fair presentation of the "total" column.
[e] Comparative figures have been reclassified to conform to current presentation.
[f] Represents 5 per cent of the proceeds from Iraqi oil sales deposited into the Development Fund for Iraq in accordance with Security Council resolution 1483 (2003). See note 1 (c).
[g] Includes awards of $6,674,987 no longer payable to the claimants owing to expiration of the deadline established by the Governing Council at its fifty-sixth session.
[h] Operating expenses are financed from the operating reserve.
[i] Represents net decrease in after-service health insurance liabilities in the biennium 2008-2009.
[j] Represents the write-off of duplicate and other claims of $30,169,914, see note 3 (c); and of receivables arising from non-compliance with reporting obligations of $726,089; and the adjustment of prior-period interest income of $2,366,966 that is payable to claimant Governments in respect of funds withheld from Environmental Awards.

The accompanying notes are an integral part of the financial statements.

Statement II

United Nations Compensation Commission[a]

Assets, liabilities and reserves and fund balances as at 31 December 2009

(Thousands of United States dollars)

	Compensation fund	*UNCC support for Follow-up Programme for Environmental Awards*[b]	*Funds withheld from Environmental Awards*[c]	*Eliminations*[d]	*Total 2009*	*Total 2007*[e]
Assets						
Cash and term deposits	20 770	—	—		20 770	30 283
Cash pool[f]	1 393 013	—	—		1 393 013	382 705
Offices away from Headquarters cash pool[g]	—	5 937	—		5 937	2 988
Inter-fund balances receivable	—	41	740 748	(740 788)	1	—
Other accounts receivable	7 199[h]	5	108 229[i]		115 433	63 839
Deferred charges	13	—	—		13	55
Total assets	**1 420 995**	**5 983**	**848 977**	**(740 788)**	**1 535 167**	**479 870**
Liabilities						
Unliquidated obligations — current period	340	100	—		440	92 214
Inter-fund balances payable	740 788	—	—	(740 788)	—	11
Other accounts payable	152	6	848 977[j]		849 135	17 899
Deferred income	—	4 134	—		4 134	2 207
End-of-service and post-retirement liabilities	3 643[k]	126[l]	—		3 769	6 028
Total liabilities	**744 923**	**4 366**	**848 977**	**(740 788)**	**857 478**	**118 359**
Reserves and fund balances						
Operating reserve	45 710[m]	1 617	—		47 327	56 039
Cumulative surplus	630 362	—	—		630 362	305 472
Total reserves and fund balances	**676 072**	**1 617**	**—**		**677 689**	**361 511**
Total liabilities and reserves and fund balances	**1 420 995**	**5 983**	**848 977**	**(740 788)**	**1 535 167**	**479 870**

(Footnotes on following page)

(Footnotes to Statement II)

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[a] See note 1.
[b] See note 4.
[c] See note 5.
[d] Upon combination of the columns, transactions between the columns are eliminated, in order for a fair presentation of the "total" column.
[e] Comparative figures have been restated to conform to current presentation.
[f] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $353,610,006, short-term investments of $343,883,770 (market value $344,543,838), long-term investments of $688,296,592 (market value $696,254,657) and accrued interest receivable of $7,222,663.
[g] Represents share of the United Nations offices away from Headquarters cash pool and comprises cash and term deposits of $1,991,356, short-term investments of $1,536,136 (market value $1,544,557), long-term investments of $2,378,153 (market value $2,409,591) and accrued interest receivable of $31,628.
[h] Includes $1,828,821 advanced to Governments for further distribution to claimants in respect of various compensation awards for which the submission of the distribution reports is pending, and $5,364,242 relating to duplicate and other claims to be recovered from future payments of compensation awards.
[i] Represents funds advanced in respect of Environmental Awards that are to be returned by a claimant Government, pursuant to Governing Council decision 266 requiring that an additional 10 per cent be withheld.
[j] Represents funds withheld to be payable to the F4 claimant Governments upon satisfactory completion of environmental project; see note 5.
[k] Represents accrued liabilities for after-service health insurance costs of $3,232,000, for repatriation benefits of $108,000, for unused vacation days of $62,000 and for termination indemnity of $241,000. See note 2 (m) (vi) and note 6.
[l] Represents accrued liabilities for after-service health insurance costs of $106,000, for repatriation benefits of $17,000 and for unused vacation days of $3,000.
[m] During the biennium 2008-2009, $5,696,975 was transferred from operating reserve to finance the Commission's operating budget, $4,171,000 was transferred to fund the Commission's 2007 after-service health insurance liabilities and $27,094 was transferred to finance the administrative support account for the services provided to the Commission, resulting in an operating reserve of $45,709,631 as of 31 December 2009.

The accompanying notes are an integral part of the financial statements.

United Nations Compensation Commission[a]

Statement III

Cash flows for the biennium ending 31 December 2009

(Thousands of United States dollars)

	Compensation fund	*UNCC support for Follow-up Programme for Environmental Awards*[b]	*Funds withheld from Environmental Awards*[c]	*Eliminations*[d]	*Total 2009*	*Total 2007*[e]
Cash flows from operating activities						
Net excess (shortfall) of income over expenditure (statement I)	314 945	1 168	15 370	—	331 483	(3 238)
(Increase) decrease in inter-fund balances receivable	26	(41)	(740 748)	740 762	(1)	—
(Increase) decrease in other accounts receivable	56 591	44	(108 229)	—	(51 594)	(58 269)
(Increase) decrease in deferred charges	7	35	—	—	42	16
Increase (decrease) in unliquidated obligations	(91 813)	39	—	—	(91 774)	78 689
Increase (decrease) in inter-fund balances payable	740 788	(37)	—	(740 762)	(11)	(2 775)
Increase (decrease) in other accounts payable	(17 747)	6	848 977	—	831 236	8 743
Increase (decrease) in deferred income	—	1 927	—	—	1 927	2 207
Increase (decrease) in end-of-service and post-retirement liabilities	(2 052)	(207)	—	—	(2 259)	6 028
Less: interest income	(36 312)	(153)	(15 370)	—	(51 835)	(43 833)
Net cash flows from operating activities	**964 433**	**2 781**	**—**	**—**	**967 214**	**(12 432)**
Cash flows from investing activities						
Interest income	36 312	153	15 370	—	51 835	43 833
Net cash flows from investing activities	**36 312**	**153**	**15 370**	**—**	**51 835**	**43 833**
Cash flows from financing activities						
Cancellation of prior-period obligations	77	15	—	—	92	892
Transfer to other funds	(27)	—	—	—	(27)	—
Other adjustments to reserves and fund balances	—	—	(15 370)	—	(15 370)	(7 562)
Net cash flows from financing activities	**50**	**15**	**(15 370)**	**—**	**(15 305)**	**(6 670)**
Net increase (decrease) in cash and term deposits and cash pools	**1 000 795**	**2 949**	**—**	**—**	**1 003 744**	**24 731**

	Compensation fund	*UNCC support for Follow-up Programme for Environmental Awards*[b]	*Funds withheld from Environmental Awards*[c]	*Eliminations*[d]	*Total 2009*	*Total 2007*[e]
Cash and term deposits and cash pools, beginning of period	**412 988**	**2 988**	**—**	**—**	**415 976**	**391 245**
Cash and term deposits and cash pools, end of period	**1 413 783**	**5 937**	**—**	**—**	**1 419 720**	**415 976**

[a] See note 1.
[b] See note 4.
[c] See note 5.
[d] Upon combination of the columns, transactions between the columns are eliminated, in order for a fair presentation of the "total" column.
[e] Comparative figures have been restated to conform to current presentation.

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements

Note 1
United Nations Compensation Commission

(a) The United Nations Compensation Commission (the Commission) was established in 1991 in accordance with Security Council resolution 692 (1991) subsequent to Security Council resolution 687 (1991), to process and pay claims for direct loss, damage, or injury arising from Iraq's invasion and occupation of Kuwait;

(b) By its resolution 705 (1991), the Security Council adopted the Secretary-General's suggestions that the level of Iraq's contribution to the Compensation Fund shall not exceed 30 per cent of the annual value of its exports of petroleum and petroleum products. By its resolution 986 (1995), the Security Council approved the allocation of 30 per cent of the proceeds from the sale of Iraqi oil to the Compensation Fund. Pursuant to Security Council resolution 1330 (2000), the allocation to the Compensation Fund was decreased from 30 per cent to 25 per cent effective 6 December 2000;

(c) By its resolution 1483 (2003), the Security Council reduced the level of Iraq's contribution to the Compensation Fund, effective 22 May 2003, to 5 per cent, and decided that it would remain at that level until such time as an internationally recognized, representative Government of Iraq and the UNCC Governing Council decide otherwise.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations Compensation Commission

(a) The accounts of the United Nations Compensation Commission are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management, or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the United Nations System Chief Executives Board for Coordination (CEB). The Commission follows International Accounting Standard 1 — Presentation of Financial Statements, on the disclosure of accounting policies, as modified and adopted by CEB as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons therefore;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified;

(b) The Commission's accounts are maintained on a "fund accounting" basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts. Financial statements reflect activities of each fund or of a group of funds of the same nature;

(c) The financial period of the Commission is a biennium and consists of two consecutive calendar years;

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting;

(e) The accounts of the Commission are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transactions at rates of exchange established by the United Nations. In respect of such currencies, the financial statements reflect the cash, investments and current accounts receivable and payable in currencies other than the United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the United Nations rates of exchange for the last month of the financial period, a footnote will be provided quantifying the difference;

(f) The Commission's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services;

(g) The cash flow summary statement is based on the "indirect method" of cash flow as referred to in the United Nations system accounting standards;

(h) The Commission's financial statements are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards to the High-level Committee on Management;

(i) The results of the Commission's operations presented in statements I, II and III are shown by general type of activity as well as on a combined basis for all funds. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds;

(j) Income:

(i) Allocations from other funds represent monies appropriated or designated from one fund for the transfer to and disbursement from another fund;

(ii) Income received under inter-organization arrangements represents allocations of funding from agencies to enable the Commission to administer projects or other programmes on their behalf;

(iii) Interest income includes all interest earned on deposits in various bank accounts and investment income earned in the United Nations cash pool. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with operation of investments in the cash pool are allocated to the Commission;

(iv) Miscellaneous income includes awards no longer payable to claimants owing to expiration of the deadline established by the Governing Council at its fifty-sixth session, income from the sale of used or surplus property, refunds of expenditures charged to prior periods, income from net gains resulting from currency translations, settlements of insurance claims, monies accepted for which no purpose was specified and other sundry income;

(v) Income for future financial periods is not recognized in the current financial period and is recorded as deferred income, as referred to in note 2 (m) (iii);

(k) Expenditures:

(i) Expenditures are incurred against authorized allotments. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period and are recorded as deferred charges, as referred to in note 2 (l) (v).

(l) Assets:

(i) Cash and term deposits represent funds held in demand deposit accounts and interest-bearing bank deposits;

(ii) The cash pool comprises the Commission's share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the United Nations cash pool. Investments in the cash pool are similar in nature. Short-term investments are stated at lower of cost or market value; long-term investments are stated at cost. Cost is defined as the nominal value plus or minus any unamortized premium or discount. The market value of investments is disclosed in the footnotes to the financial statements;

(iii) Inter-fund balances reflect transactions between funds and are included in the amounts due to and from the United Nations General Fund. Inter-fund balances also reflect transactions directly with the United Nations General Fund. Inter-fund balances are settled periodically, dependent upon availability of cash resources;

(iv) Provision for delays in collection of receivable balances is not made;

(v) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(vi) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(vii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Commission. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in notes to the financial statements;

(m) Liabilities and reserves and fund balances:

(i) Operating reserves are included in the totals for "reserves and fund balances" shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes income received but not yet earned;

(iv) Current period obligations remain valid for 12 months following the end of the biennium to which they relate, after which the remaining balances are cancelled and returned to the Compensation Fund as savings on, or cancellation of, prior-period obligations;

(v) Other accounts payable includes amounts withheld with respect to environmental projects pursuant to the Governing Council decision 258, which shall be released in phases, upon the successful completion of the related phase;

(vi) Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits, unused vacation days and termination indemnity. Previously, the accrued liabilities recorded for after-service health insurance were based on actuarial valuation, whereas the liabilities for repatriation benefits, unused vacation days and termination indemnity were recorded based on current costs without discounting or other adjustments. With effect from the biennium ended 31 December 2009, the liabilities for after-service health insurance, repatriation benefits and unused vacation days are all determined on an actuarial basis. The change with respect to the repatriation benefits and unused vacation days is considered to be a change in accounting policy. The change, which is in accordance with paragraph 18 of the United Nations system

accounting standards, is made in order for more reasonable estimates of these liabilities to be incorporated into the financial statements. See note 6;

(vii) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(viii) The United Nations is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined benefit plan. An actuarial valuation of the Pension Fund assets and pension benefits is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, the United Nations is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus the United Nations share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements. The Organization's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the Organization, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the reporting date of the current financial statement, the General Assembly had not invoked this provision.

Note 3
Statements I, II and III

(a) Compensation claims

As of 31 December 2009, compensation awards of $24,215,388,995 have been approved by the Governing Council of the Commission but not yet paid or obligated pending receipt of funds from the sales of oil proceeds further to Security Council resolution 1483 (2003);

(b) Awards of interest

With respect to awards of interest, the Governing Council of the Commission decided, in its decision 16 in 1992, that interest would be awarded from the date the loss occurred until the date of payment, at a rate sufficient to compensate successful claimants for the loss of use of the principal amount of the award; that the methods of calculation and of payment of interest would be considered by the Governing Council at the appropriate time; and that interest would be paid after the principal amount of awards. In this respect, the Governing Council, at its meeting on 10 March 2005, took a final decision concerning the payment of interest on awards of compensation. Governing Council decision 243 provides that the Council will take no further action with respect to the issue of awards of interest, which effectively means that no payments of interest shall be made on awards of

compensation. This decision of the Governing Council has been communicated to all claimant Governments;

(c) Duplicate and other claims

(i) During the biennium 2006-2007, the UNCC secretariat determined through its investigations that duplicate and other claims amounted to $74,891,642, which were recorded in the financial statements for the biennium ended 31 December 2007. In this context, the Governing Council decided at its fifty-ninth session, held in March 2006, that confirmed overpayments identified as a result of the investigation would be corrected under article 41 of the Provisional Rules for Claims Procedure;

(ii) At its sixtieth session, in June 2006, the Governing Council decided that Governments and other submitting entities would be requested to take all practicable steps ("best efforts") to attempt to recover overpaid amounts from claimants and to remit the received funds to UNCC within certain deadlines;

(iii) At its sixty-first session, held on 31 October and 2 and 3 November 2006, the Governing Council decided that Governments and other submitting entities would be responsible for the amount to be recovered that was "identifiable" (i.e., that could reasonably have been detected prior to or at the time of payment) but not the amount that was "non-identifiable" (i.e., that would have been difficult, if not impossible, for submitting entities to detect). It was also decided that all "identifiable" overpayment not recovered would be set off against the final payment made to a Government in respect of a governmental or quasi-governmental award;

(iv) At its sixty-second session, held from 20 to 22 February 2007, the UNCC secretariat reported its findings on duplicate and other claims to the Governing Council, which approved corrections to nearly 30,000 claims in four article 41 reports. Furthermore, the Governing Council took note of the report by the UNCC secretariat on the "best efforts" responses received from claimant Governments to date;

(v) At the sixty-third session, held from 20 to 22 June 2007, the Working Group of the Governing Council received and considered the final results of the "best efforts" following expiry of the set deadlines. In the light of efforts made by the submitting entities and the amounts recovered through the "best efforts" exercise, the Working Group noted that continuing "best efforts" would result in only limited recoveries. The Working Group recommended that submitting entities be requested to remit any further funds they receive from claimants and that the UNCC secretariat report on further recoveries at future sessions of the Governing Council;

(vi) As a result of recoveries and offsets, the balance outstanding in respect of duplicate and other claims as of 31 December 2007 had been reduced to $46,463,685;

(vii) During 2008, $10,929,529 was recovered and, further to the confirmation of the Governing Council at its sixty-fifth session that no further collection efforts should be pursued, $30,169,914 was written off. The remaining balance as at 31 December 2009 is $5,364,242, which is expected to be recovered through offset against future payments of compensations awards;

(d) Sale of Iraqi oil: cash and barter transactions

(i) Further to Security Council resolution 1483 (2003), effective 22 May 2003, 5 per cent of all proceeds from export sales of Iraqi oil are to be transferred to the Compensation Fund. In accordance with the resolution, an independent firm of public accountants was appointed by the International Advisory and Monitoring Board to report on the all export sales of petroleum, petroleum products and natural gas from Iraq. The reports showed weaknesses in the internal control systems such that it was not possible to determine the shortfall in revenues. The audited statement of cash receipts and payments for the Development Fund for Iraq for the year ended 31 December 2008 identified the shortfall in revenues of the Development Fund for Iraq owing to certain transactions having been made in cash and barter transactions not having been deposited into the Oil Proceeds Receipts Account. Had all these proceeds been deposited into that account, the share of the Compensation Fund from such transactions for the period from inception to 31 December 2008 would have been $211.6 million. The audit report for the year ended 31 December 2009 is not currently available;

(ii) The Governing Council of the Compensation Commission is provided with an update on this matter regularly, with the most recent update at its sixty-eighth session, in November 2009. The Governing Council was informed that the mandate of the International Advisory and Monitoring Board is expiring at the end of 2009, and the responsibility for oversight of Iraqi oil revenues shall transfer to the Iraq Committee on Financial Experts. The Governing Council highlighted the importance of retaining current arrangements for continued receipt of 5 per cent of Iraqi oil revenues after the expiration of the mandate of the International Advisory and Monitoring Board. The Governing Council also requested, inter alia, that the secretariat continue to follow up on this issue with the Iraq Committee on Financial Experts and the Controller, and that it keep the Council advised of any further developments.

Note 4
United Nations Compensation Commission support for the Follow-up Programme for Environmental Awards

The Governing Council created the Follow-up Programme for Environmental Awards through its decision 258 in December 2005, in consultation with the Government of Iraq and the participating Governments of the Islamic Republic of Iran, Jordan, Kuwait and Saudi Arabia ("claimant Governments"), as a mechanism for monitoring the financial and technical aspects of various environmental projects being undertaken by the claimant Governments with funds awarded by the Commission. The Programme is financed by the claimant Governments through deductions from their respective shares of specified awards.

Note 5
Funds withheld from Environmental Awards

(a) A special account was established in order to account for funds withheld pursuant to Governing Council decisions 258 and 266 in April 2009, and accrued interest thereon;

(b) The Governing Council decided in its decision 258 in December 2005 to withhold 15 per cent of the total F4 environmental awards that are subject to the Follow-up Programme for Environmental Awards from the last payments to each participating Government of the Islamic Republic of Iran, Jordan, Kuwait and Saudi Arabia, and to release the withheld amounts upon satisfactory completion of the environmental projects. In April 2009, the Governing Council further decided, in its decision 266, that an additional amount equivalent to 10 per cent of the value of each of the five phased environmental projects with awards greater than $50 million, shall be retained pending further decisions of the Governing Council. The funds withheld by UNCC under decisions 258 and 266 of the Governing Council are retained in a special account in the United Nations;

(c) Further, in accordance with Governing Council decision 268 in November 2009, interest accrued on the funds withheld under decisions 258 and 266 shall be transferred to the respective Governments annually to be used for the implementation of the environmental projects.

Note 6
Accrued liabilities for end-of-service and post-retirement benefits

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, repatriation benefits, commutation of unused vacation days and termination indemnity. As disclosed in note 2 (m) (vi), with effect from the biennium ended 31 December 2009, the liabilities for after-service health insurance, repatriation benefits and unused vacation days are all determined on an actuarial basis, which was undertaken by an independent, qualified actuarial firm.

(b) After-service health insurance

(i) Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health-insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and 5 years for those who were recruited prior to that date. This benefit is referred to as after-service health insurance;

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2009 were a discount rate of 6.0 per cent; health-care escalation rates of 8.4 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for United States medical plans, and of 6.0 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for medical plans outside of the United States; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits. By comparison, the assumptions used to determine the liabilities for after-service health insurance as at 31 December 2007 were a discount rate of 5.5 per cent; health-care escalation rates of 9.5 per cent in 2008, grading down to 5.0 per cent in 2015 and later years for United States medical plans, and of 5.7 per cent in 2008, grading down to 4.5 per cent in 2012 and later years for medical plans outside the United States. There were no changes in the Pension Fund retirement, withdrawal and mortality assumptions since the 2007 valuation;

(iii) Another factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Organization's residual liability. Thus, contributions from retirees are deducted from the gross liability and, commencing with the 31 December 2009 valuation, a portion of the contributions from active staff is also deducted to arrive at the Organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the Organization's share shall not exceed one half for non-United States health plans, two thirds for United States health plans, and three quarters for the medical insurance plan. This refinement in determination of plan participant contributions is reflective of the fact that both active and retired staff participate in the same health insurance plans and that their collective contributions serve to meet the approved cost-sharing ratios;

(iv) On the basis outlined in (ii) and (iii) above, the present value of the accrued liability as of 31 December 2009, net of contributions from plan participants was estimated at $3,338,000. This reflects actuarial gains of $1,465,000 resulting from the updating and refinement in actuarial assumptions noted under (ii) and (iii) above and based on updated census, health insurance claims and other data;

(Thousands of United States dollars)

After-service health insurance liability	*Accrued liability*
Gross liability	6 676
Offset by contributions from plan participants	(3 338)
Net liability	**3 338**

(v) Further to the assumptions in b (ii) above, it is estimated that the present value of the liability would increase by 18 per cent or decrease by 15 per cent, respectively, if the medical cost trend is increased or decreased by 1 per cent, all other assumptions remaining constant. Similarly, it is estimated that the accrued liability would increase by 19 per cent or decrease by 15 per cent respectively, if the discount rate is decreased or increased by 1 per cent, all other assumptions remaining constant;

(c) Repatriation benefits

(i) Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits;

(ii) As referred to in note 2 (m) (vi), a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2009. Previously, the liabilities for repatriation benefits were calculated on the basis of current costs as at the reporting date, without discounting or other adjustments;

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent, annual salary increases ranging from 10.6 per cent to 5.5 per cent based on age and category of the staff members, and travel cost increases of 4.0 per cent per annum;

(iv) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2009 was estimated at $125,000;

(v) The change in accounting policy to an actuarial basis for measuring the liability for repatriation benefits has not been applied retroactively, owing to the impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former, current-cost methodology been continued, the liability would have been $202,000 as at 31 December 2009. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and expenditures in the amount of $77,000;

(d) Unused vacation days

(i) Upon end of service, staff members may commute unused vacation days, up to a maximum of 60 working days, for those holding fixed-term or continuing appointments;

(ii) As referred to in note 2 (m) (vi), a consulting actuary was engaged to carry out an actuarial valuation of unused vacation days as at 31 December 2009. Previously, the liabilities for unused vacation days were calculated on the basis of current costs as at the reporting date, without discounting or other adjustments;

(iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent, and an annual rate of increase in accumulated annual leave balances of 15 days in the first year, 6.5 days per year in the second to sixth years, and 0.1 days annually thereafter, capping at an accumulation of 60 days. Salaries are assumed to increase annually at rates ranging from 10.6 per cent to 5.5 per cent based on age and category of the staff members;

(iv) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2009 was estimated at $65,000;

(v) The change in accounting policy to an actuarial basis for measuring the liability for unused vacation days has not been applied retroactively, owing to the impracticality of undertaking an actuarial valuation as at 31 December 2007. Had the former, current-cost methodology been continued, the liability would have been $93,000 as at 31 December 2009. Hence, the effect of adopting this new policy in the current period is a decrease in both the liabilities and expenditures in the amount of $28,000;

(vi) Termination indemnity

Some staff members are entitled to a termination indemnity, should the Commission terminate their appointments. The liability of the Commission for such costs as at 31 December 2009 is estimated to be $241,000.

Note 7
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the Commission, but is charged against the current allotment in the year of purchase. The Commission's non-expendable property, valued at historical cost as at 31 December 2009 is as follows (in thousands of United States dollars):

	2008-2009
Balance at 1 January 2008	993
Add: acquisitions	16
Less: dispositions	(747)
Other adjustments[a]	1
Balance as at 31 December 2009	**263**

[a] Comprises net adjustments, including those arising from physical inventory count.

Note 8
Future operations

(a) Following the completion of claims processing, the Governing Council decided at its fifty-eighth session to retain a residual Commission in Geneva comprising two components: (a) the Governing Council; and (b) a secretariat at a reduced scale.

(b) The secretariat's main functions are: to provide support to the Governing Council and its meetings; to implement the Council's decisions; to continue to pay the remaining awards to successful claimants, which were approximately $24.2 billion as at 31 December 2009; to oversee the Follow-up Programme for Environmental Awards; and to administer the funds withheld from environmental awards.